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Abstract

State institutions that came into being centuries ago have taken on different roles in the post-World War II period of globalization. These institutions may have changed significantly as their roles have become greater to accommodate participation in the global political economy. The theory I develop in this paper indicates that the legal origins of a state continue to have a relationship with its current level of economic globalization. This theory is based on previous research produced by several other scholars. My research focuses on the English common law origin and I hypothesize that countries with this legal origin are more likely to experience higher levels of economic globalization than countries with alternative legal origins. The evidence I introduce supports this hypothesis.

Keywords

Legal Origin, Globalization, Economics

Disciplines

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Comments

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Gettysburg College

Examining the Relationship Between Legal Origin and Levels of Economic Globalization

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Abstract

State institutions that came into being centuries ago have taken on different roles in the post-World War II period of globalization. These institutions may have changed significantly as their roles have become greater to accommodate participation in the global political economy. The theory I develop in this paper indicates that the legal origins of a state continue to have a relationship with its current level of economic globalization. This theory is based on previous research produced by several other scholars. My research focuses on the English common law origin and I hypothesize that countries with this legal origin are more likely to experience higher levels of economic globalization than countries with alternative legal origins. The evidence I introduce supports this hypothesis.

Section I. Introduction

Geographical proximity, cultural similarities, and shared values are often reasons why people believe that countries have similar institutions and behaviors to one another. While these reasons may be true, there may be other underlying factors that connect the foundations of states. The relationship between states is continuously evaluated and re-evaluated through the various theories of international relations scholars. Many of these theories attempt to explain the shifting power relations among states and how individual states impact the world in a broader sense. Some scholars, however, argue that there are some ways in which the fundamental structures of states have remained constant influential forces in the way states behave. One of these structures that has stimulated a large amount of research is legal origin. If so many differences between states drive them apart, then the idea of a structural similarity in their legal origin binding them together and influencing their decisions today is truly remarkable. The question many researchers have attempted to answer is: does legal origin still influence the actions of and remain relevant to states today?

The concept of legal origin has produced theoretical research and controversy from economists and political scientists. A majority of this research has focused on the influence of legal origin at the national level, especially on institutions. Some research has taken this a step further by identifying possible relationships between legal origin and financial development. The trend of research on legal origin theory involves highly speculative causation of relationships. My approach will differ from predecessors by attempting to apply legal origin theory to the broader concept of economic globalization. There are many factors that contribute to the economic globalization index, and not all of them will be possible to cover in this paper. Because

of its ambitious nature, my research will not be as specific as previous works, but it may open up the theory to more general speculation from wider audiences.

To outline the rest of the paper, section II will provide examples of previous literature on legal origin theory to provide historical background on the subject and review how other scholars have approached it. Section III will unpack my theory on how legal origin will relate to the broader concept of globalization and present my hypothesis for the research results. Section IV will include my research specific research design, and section V will present my data and analysis. Finally, section VI will be my final thoughts and conclusion of the paper.

Section II. Background on Legal Origin

The majority of recent literature on legal origin tends to be focused on the significance of English common law and French commercial law in terms of financial markets. I start with the literature focused on the general importance of legal origin and the derived social and economic effects (Glaeser and Shleifer 2002). I then investigate literature that covers legal traditions and the influence of legal origins on current institutional structures in terms of common law and civil law (La Porta et al., 2008). Some literature refers to French commercial law as French civil law, but I will be using the two terms interchangeably. I then cover literature by Beck et al. (2002), which is primarily focused on the relationship between legal origin and financial markets. A chapter written by Francis Snyder (2004) explains how the introduction and rise of international actors influenced domestic legal institutions. Finally, I include a paper by Camilla Capucio (2015) to provide further analysis of the role of domestic institutions in the global political economy.

1. History of Legal Origin

One of the common trends among previous literature on legal origin is to emphasize the differences between English common law and French civil law. Glaeser and Shleifer (2002) look specifically at the histories and operations of the two legal systems in order to explain their differing economic outcomes. I will return to the theory of their study later to reexamine the economic outcomes of legal origin from a global perspective. The study first examines how the two countries diverged in their methods to control corruption and coercion within their respective judicial systems. France chose “adjudication by royally controlled professional judges, while England moved toward adjudication by relatively independent juries” (1194). Glaeser and Shleifer attribute the differences in social and economic outcomes between the two countries and their former colonies to the original structural differences and subsequent modifications within their legal systems.

Understanding the structural history of both common law and commercial law is necessary to the conclusions which I will draw from my data later in this paper. However, the section of Glaeser and Shleifer’s work more directly related to my research question is their conclusions on social outcomes. The introduction of the paper describes that legal structures develop as a response to the levels of law and order within a country. The research they draw from La Porta et al. 1999, finds that “French civil law countries have less secure property rights, greater government regulation and intervention, greater government ownership of banks and industry, and higher levels of corruption and red tape than do common law countries. There is also evidence that, at the same level of development, common law countries are more financially developed than their civil law counterparts” (Glaeser and Schneider 2002, 1194). This information appears to be significant to a broader social context but is not explored much further

in the paper. The authors instead turn their attention towards the inefficiencies of law systems in former colonies to which they have been transplanted.

This research provides critical information regarding the differences between two of the most widespread legal origin systems. My research will attempt to apply the relevance of English common law to the world today, but Glaeser and Shleifer's research allows us to understand how these systems came to be. Before applying legal origins to a broader subject, such as globalization, establishing their key structural differences will allow me to theorize why some are more successful than others, centuries after their establishment. The social outcomes section of the research fails to explore law systems in a more modern and generalized sense that readers can apply to a current event. The authors focus their attention on the inadequacies of legal systems which have been transplanted in another country, specifically their vulnerabilities to abuse by a sovereign and ability to enforce property protection laws. While they are very important to legal systems, these points do not give a sense of broader social outcomes today.

2. Applications of Legal Origin

Work published later by La Porta, Lopez-de-Silanes, and Shleifer (2008) further explains how legal origins influence economic outcomes despite their divergences, convergences, and development over time. This paper also emphasizes the consequences of involuntary transplantation of legal systems but introduces some new consequences which will be beneficial in my theory later on. First, this research eliminates some of the legal systems which may not be worth exploring. To start, the countries which were once classified as having socialist law origins have reverted to their pre-WWII systems since the fall of the Berlin Wall. The authors state that several countries do, in fact, still have this legal system, but a lack of data prevents them from

being included in their study. Additionally, “because Scandinavian countries did not have any colonies, and Germany’s colonial influence was short-lived and abruptly erased by World War I, there are relatively few countries in these two traditions” (290). This means that their legal systems were either not transplanted to other countries, or they were brought to other countries but mostly do not exist there anymore. This information provides reasoning to use English common law and French civil law as the two most significant legal systems in a study regarding the relationship between legal origin and another variable.

Another section of this paper describes the mechanisms through which legal origin influences economic outcomes. La Porta, et al. compile research from previous papers to create a figure showing institutions that are constructed from legal origin, and these institutions produce varying economic outcomes. They do so by dividing the previous studies into three categories. The first group “examines the effects of legal origins on investor protection and then the effect of investor protection on financial development” (292). The second group “consider government regulation, or even ownership, of particular economic activities.” The final group “investigates the effects of legal origins on the characteristics of the judiciary, and then the effects of those on the security of property rights and contract enforcement.” The data in the paper finds that common law is overall more associated with better investment protection and financial development than French civil law. Countries with common law also have less government regulation of markets and more independent judicial systems, creating “more secure property rights and better contract enforcement.”

The authors also introduce a new concept referred to as Legal Origins Theory. There are three key components that they highlight within the theory. The first is that England and France developed different styles of social control of business and built varying institutions that allowed

them to do so. The second key component is that these institutions and preferred styles of control were transplanted to countries throughout the world during the periods of colonialism and imperialism. And their last key element in Legal Origins Theory is that the original styles of social control developed in France and England by the nineteenth century have persisted through regulatory changes and continue to be the foundation for addressing social problems (La Porta et al., 2008)

The research conducted by La Porta et al. (2008) is instrumental in identifying some of the mechanisms through which legal origins may influence a country's level of economic globalization, specifically their enforcement of property rights and contracts, shareholder rights, creditors rights, and bank development. The authors then introduce the Legal Origins Theory, which reaffirms how legal origin continues to influence institutions and policymaking towards economic freedom. Additionally, the research challenges the argument that legal origin is inconsequential to the process of a country's financial development. The authors cite several studies to reinforce the significance of the three categories through which they evaluate the impacts of legal origin. The comprehensive nature of this study, while beneficial for covering a breadth of categories related to legal origin, is also one of its possible weaknesses. The authors admit that they excluded many of the control variables used in their previous studies for the sake of simplicity. The purpose of the paper was to summarize the authors' various findings from their papers published prior to this one and to clear up some controversy surrounding them in the years following their publishing.

Other research by Beck, Demirgüç-Kunt, and Levine (2002) also discusses the enforcement of property rights but takes a more focused approach on how legal origins influence financial markets. They introduce other researchers who have made this connection before,

including themselves, but aim to specify the specific channels through which legal origin matters for financial development. According to legal theory, there are two channels that do this: the political channel and the adaptability channel. The political channel states that “(a) legal traditions differ in terms of the priority they attach to private property rights versus the rights of the State and (b) the protection of private contracting rights forms the basis of financial development” (2). English common law favored private property rights against the crown whereas French and German civil codes placed power in the state. The adaptability channel states that “(a) legal traditions differ in their ability to evolve with changing conditions and (b) legal traditions that adapt efficiently to minimize the gap between the contracting needs of the economy and the legal system’s capabilities will more effectively foster financial development than more rigid systems” (2,3). In summary, the implications of these channels are that legal systems that place greater emphasis on the role of the state, such as France, build institutions that reflect this and ultimately hinder financial development. Countries with common law origins have judicial systems that are more likely to respond to changing conditions efficiently due to a greater exercise of jurisprudence instead of reliance on statutory law.

Two major conclusions from this literature will play a role in my theory development later in this paper. The first is that “the Civil law tradition tends to centralize and intensify state power and therefore takes a more wary stance toward the development of free financial systems than the common law.” The second is that “the adaptability channel stresses that Common law countries have notably more adaptable legal traditions than French civil law countries” (Beck et al., 2002). Because the ability to promote free financial development is a component in economic globalization, this research will be crucial in theorizing the methods through which legal origin impacts economic globalization. Some drawbacks to this research are that empirical indicators of

state control of the judiciary and legal adaptability are imperfect and therefore make it difficult to distinguish between the two mechanisms. The authors clarify that these two mechanisms are interrelated in law and finance theory, but they present two different channels of ways that legal origin influences financial development. This research was also published in 2002 prior to the 2008 global financial crisis, which may have resulted in different conclusions from the authors regarding financial development. As my model will also be, this is a cross-country time-series regression that can be considered broad, but in order to account for multiple legal origins across a variety of countries, this is necessary.

3. Modern Implications of Legal Origin and Economic Development

A chapter in *The Blackwell Companion to Law in Society* (Ed. Sarat 2004) titled “Economic Globalisation and the Law in the Twenty-First Century” written by Francis Snyder speculates how changing forces in the international sphere have triggered a transformation of both international and domestic legal systems. The specific forces Snyder mentions are the “growth of multinational corporations and international production networks, new technology, changes in the nature of form and work, and the rise of new actors on the international scene” (624). Snyder explains that domestic legal fields have had to become more internationalized as a result of these changing forces within the international field. There are two ways in which this transformation has occurred. The first is that “legal and political arenas that had previously been mainly national in terms of background assumptions, actors, and orientation were increasingly influenced by ‘external’ factors. Second, purportedly ‘domestic’ decisions were conditioned, shaped, or even actually made elsewhere as transnational legal regimes penetrated national legal fields.” (625). These transformations described by the author must be understood under the

assumption that national fields were willingly participating in the global economy and made the changes necessary to be able to do so.

The literature produced by Snyder is significant to my own research because it proposes major ways that national legal and political institutions may have diverged from their legal origins after the major rise of globalization in the post-World War II era. This may be an important step in rounding out a theory of how legal origin continues to have influence over levels of globalization. Snyder also makes the point that certain countries have been better at making the necessary transformations to their legal systems for mass globalization than others. It should be noted that the conclusions in this chapter are not of Snyder's own empirical research but draw from previous research by multiple other scholars to pose questions about and make suggestions for the future of global governance. Since the connections made in this chapter are not answering a specific research question, they are merely speculative and prompt further research along with policy changes. However, this does not discredit the work of the researchers from whom Snyder references the basis of his ideas. I will draw from the connections Snyder made in this chapter to inform the connections that I will make in the development of my own theory.

The final piece of literature included in this sub-section is "National Judges and Courts as Institutions for Global Economic Governance" by Camilla Capucio (2015). This article is a call to action for state institutions to reenvision themselves as instruments beyond their current role as structures for global governance. State institutions, such as judges and courts, are no longer limited to their role within sovereign states but are now faced with solving global problems that their governments are faced with today. Capucio's article claims that international forces have had a profound impact on states, who now need to restructure themselves to accommodate

international law. The author writes that “the new sovereignty is related to the ability to participate in joint efforts, and to be in connection to the rest of the world Opening space for the performance of its institutions as architectures of global governance and reaffirming (this new type) of sovereignty” (359). This quote seems to be hinting at power structures within the global government, possibly implying that states that are able to restructure their domestic institutions to be major influencers of global governance will benefit the most from the international political economy. This article also seems to echo the adaptability channel mentioned previously by Beck et al. (2002), emphasizing the importance of dynamic legal institutions. Not only do domestic courts have the responsibility of enforcing national and international laws, but they also help create the laws which move through the system of multilevel global governance. International laws often originate in domestic courts and are implemented by international organizations at the global and regional levels.

The purpose of Capucio’s paper is not to bring new research into the field but to draw from the research of other scholars to provide a supporting argument for an enhanced role of domestic courts in global economic governance. Much like Snyder’s article, there is no new empirical data included in their work for us to unpack, but it presents arguments that are worth taking into consideration in my own theory. The recommendations proposed by Capucio are based on research from other scholars in the fields of economics and political science. Similar to Snyder and Capucio’s work referenced in this section, I will use both the empirical research and theoretical writing of other scholars to help build my theory of the connection between legal origin and economic globalization.

4. Opposition to Legal Origin Theory

Not all research supports that legal origin remains relevant to today's world. An article by Cabrelli and Siems (2015) argues that legal origin theory loses traction in current applications of corporate law. Specifically, it suggests that the theory "fails to consider the political determinants of corporate law and corporate governance systems" (122). Cabrelli and Siems also suggest that "historical linkages between countries may have become weaker as a consequence of the convergence of legal and economic systems" (122). The research in this paper calls into question the relevance of legal origin in today's corporate law. These statements, however, are merely suggestions. When researching a concept such as legal origin, speculation and interpretation are major parts of that work. Scholars can spend equal amounts of time speculating the relevance of legal origins as they will the irrelevance of it. This article proposes that there is still lots of room for research to be conducted on legal origin at both the national and global levels.

Section III. Theory

Working from the assumptions made in the literature section, I will develop a theory on how legal origin impacts levels of economic globalization, eventually informing my hypothesis. The beginning of my theory focuses on how English common law and French commercial (or civil) law differed in their origins and eventually in their development over the past few centuries. For the purpose of conciseness, I will only be basing my assumptions on the origins and divergences of the two legal systems beginning in the eighteenth and nineteenth centuries. I will then move into how these structural differences impact the efficiency of judicial systems and institutions and how that, in turn, may result in varying levels of economic globalization.

The beginning of this theory starts with the fundamental differences between English common law and French civil law, as described by Glaeser and Shleifer (2002). The English legal system was developed with the intent of reducing the control of the sovereign and favoring private land and business owners. This was achieved by giving power to independent juries and judges. The legal system which came about is referred to as case law. This legal system places emphasis on judicial opinion and interpretation of the constitution. In contrast, French commercial law was formed under circumstances which placed judges under royal control. During the Napoleonic era, the legal system evolved to work through codified statutes. This means that judges adhere to these codes, which serve as “umbrellas” of other laws that are not necessarily written down. This leaves less room for judicial interpretation of laws if the law in question already adheres to a statute or code. These two different legal processes result in what La Porta et al. (2008) determines to be “different styles of social control of businesses and institutions.” Legal systems are responsible, in part, for creating and enforcing the environment of laws that the private sector (mostly in democratic countries) is able to operate within.

If we consider these statements from La Porta et al. (2008), along with the channels that are described by Beck et al. (2002), we can interpret how those channels promote financial development under English common law and French commercial law. We can also infer how these channels may promote economic growth in a larger sense since financial institutions are a major part of the greater national economy as a whole. As a refresher, the two channels Beck et al. introduce are the “political” and “adaptability” channels. The first of the two takeaways from these channels is that the political channel stresses that the civil law tradition promotes the development of institutions that promote state power and ultimately have adverse effects on financial development. The second takeaway is that common law evolves more efficiently

compared to civil law because judges are able to respond on a case-by-case basis to changing traditions. Inefficient laws, or laws that hinder financial development, are replaced with more efficient laws when they are brought to the courts and go through repeated litigation.

Countries with common law origins produce legal institutions that more heavily favor private property rights and open financial development, while they also have a system that can more efficiently address laws that produce market failures. From the information outlined in this paper, I derive a key assumption: the case law (jurisprudence) structure and free-market orientation of English common law legal origin countries allow judicial systems to be more dynamic and respond to changing conditions more efficiently, whereas the statutes systems of French commercial law countries are more rigid due to their close attachment to the state, ultimately making them less dynamic.

These foundational qualities of legal origin would continue to apply even after several large waves of globalization occurred in the post-World War II era. Globalization introduced new actors and regulatory bodies such as international organizations, multinational corporations, large alliances, and trade agreements. What came from this was unforeseen and frequently changing circumstances for national legal institutions. Again, two assumptions in this theory will be derived from the previous literature of Camilla Capucio (2015). The first assumption is that standards and rules of international law require the institutions of states to reform in order to meet those standards and ultimately be able to participate in the global economy. The second assumption is that the success of states in the global economy is based on their ability to efficiently reform their institutions so that they can achieve a comparative advantage and possibly even influence the global political economy.

The more adaptable a legal origin system is, then the more efficiently they should be able to respond to changing conditions in the global economy. Due to their emphasis on jurisprudence and adaptive superiority, countries with English common law legal origin should be able to create institutions that can respond to international conditions more efficiently than countries with French commercial law origin. Some institutions which promote economic growth that La Porta et al. (2008) identify as producing better outcomes in common law countries compared to commercial law countries are investment protection and financial development, less government regulation of markets, and independent judicial systems.

I develop the theory further by anticipating that because the two biggest founders of both the Liberal International Economic Order and the Bretton Woods System, the United States and England, have common law legal origins, those international institutions developed since their founding will favor countries with the same legal origins. Based on the theory developed in this section, the hypothesis that I will be testing is as follows:

Countries with English common law legal origins are more likely to experience higher levels of economic globalization than countries with alternative legal origins.

There are a few other assumptions that I make in this theory. The first is that despite the inevitable evolution of legal systems in individual states over time, legal origins have persisted as the foundation of institutions that promote economic and financial development. The second assumption is that free financial development is a crucial component of economic development and globalization. The final assumption is that countries in which legal origin has been transplanted have not significantly diverged from their legal origins and that the negative

externalities sometimes associated with the transplantation of legal origin do not affect the institutions which support economic development.

Due to their independent judicial systems, emphasis on private property rights, and adaptive orientation, I expect that states with common law origins will have higher levels of economic globalization compared to states with alternative legal origins. This expectation is made under the condition that all states are willing and able, to the best of their ability, to participate competitively in the global economy.

Section IV. Testing the Hypothesis and Methodology

In order to test my hypothesis, I will be using data from the Quality of Government Basic Dataset (Dahlberg, et al. 2019). The dataset is comprised of cross-national and time-series variables. For the Basic Time-Series dataset, the years included for the data are from 1946 to 2018 for 211 countries. Not all countries have data for each year within the time frame, but none are excluded from the research. The creators of the dataset used United Nations membership as the determining factor of inclusion for countries. They also included an additional seventeen “historical” countries that may not exist anymore for the purpose of having a more accurate time-series dataset. Using a dataset beginning in 1946 allows us to see to take a close look at the extensive data accumulated in the post-World War II era. This time period underwent several significant changes, including the creation of the Bretton Woods system, the rise of major international institutions, and several changes in global power structures. These changes have been the topic of extensive research. Given that I will be using the cross-section time-series dataset, the unit of analysis in my research will be *country-year*.

1. Central Explanatory Variable and Dependent Variable

The central explanatory variable used to test the hypothesis will be legal origin, identified as `lp_legor` in the dataset (La Porta et al. 1999). This variable identifies the legal origin of the company law or commercial code of 157 countries worldwide. Data for this variable is available from 1946 to 2018. Legal structures were spread across the world through colonization and other involuntary methods or through voluntary adoption. It has five different possible origins, which are scored in order: English Commercial law, French Commercial Code, Socialist/ Communist Laws, German Commercial Code, and Scandinavian Code. Since I will be comparing common law with all other legal origins, English Common Law origin will be coded as one, and the remaining origins will be rescored and coded as zero.

The dependent variable in the study is economic globalization, identified as `dr_eg`. I will be referring to it as globalization in the data. This measurement, in its most recent update, comes from the KOF Globalisation Index (Gygli et al. 2019), which was originally introduced by Axel Dreher in 2006. It measures the levels of trade flows and financial flows in 185 countries with the data covering the time period from 1970 to 2015. The levels of economic globalization are on a scale of one to one hundred, with higher values indicating a higher level of globalization for that country. The level of measurement for economic globalization is continuous. A distinction is made between de facto trade and de jure trade in the index. De facto trade is “determined with reference to the trade in goods and services, and de jure trade covers customs, duties, taxes, and restrictions on trade” (Dahlberg et al. 2019).

2. Control Variables

My first control variable is regime durability, which measures the number of years since the most recent regime change or the beginning of a transition period in a country. The first year

of a new regime change is coded as the baseline year, giving it a value of zero. Each following year without a regime change adds to the value consecutively until a new regime change or transition period begins. In the dataset, this variable is denoted as *p_durable*, and I will continue referring to it as regime durability. There is data available for 182 countries from the years 1946 to 2017. A regime change can possibly impact economic globalization by redirecting trade flows with other countries or by increasing or lowering trade barriers. A new regime or transition period can have possible positive or negative impacts on trade by making goods and services easier or more difficult to access. Trade and financial institutions that have existed for and developed over a long period of time, which exist mainly in advanced economies, may be more embedded in the global economy and create a stronger relationship between that country and economic globalization (Husain et al. 2005). Younger regimes with less-developed institutions may not have a strong relationship with economic globalization, and this difference needs to be controlled for.

My second control variable is regime type, specifically whether or not a country is a democracy. This variable categorizes countries that are considered a democracy if they have a parliamentary, semi-presidential (mixed), or presidential political regime. The specific qualifications determined by the creators (Cheibub et al., 2010) is if the “executive and the legislature is directly or indirectly elected by popular vote, multiple parties are allowed, there is a de facto existence of multiple parties outside of regime front, there are multiple parties within the legislature, and there has been no consolidation of incumbent advantage (QOG Dataset 2019). There are two codes available: 0 if a country is not a democracy, and 1 if it is a democracy. Regime type is coded as *chga_demo* in the QOG dataset, and I will refer to it as ‘Democracy.’ There are 206 countries included in this variable from the years 1946 to 2008. Democratic

regimes are more likely to participate in the Liberal International Economic Order and be open to trade with other democracies (Eichengreen 2008). This can have a significant impact on globalization, so it needs to be controlled.

The third control variable in my regression is the total country population. This variable is denoted as `wdi_pop` in the QOG dataset but, I will refer to it as ‘population.’ The total population variable includes all residents of a country regardless of their legal status or citizenship (World Bank 2016). There is data available in this variable for 199 countries from the years 1960 to 2017. There is a correlation between labor force growth and capital deepening found by La Croix et al. 2002, which implies that countries with lower rates of labor force growth have higher rates of capital growth. Large economies in developed countries are the most likely to have deep integration in the global economy because of their ability to focus on financial growth and high-skilled labor markets.

The fourth and final control variable in my model is gross domestic product per capita based on purchasing parity power in constant 2011 international dollars. This variable, created by the World Bank in 2016, converts GDP per capita to international dollars using purchasing parity power rates. What this means is that the international dollar has the same purchasing power as the US dollar within the United States. It is calculated by taking the “gross value added by all resident producers in addition to any product taxes minus any subsidies not included in the value of the products” (QOG dataset 2019). This variable includes the years from 1990 to 2017 and has data available for 189 countries. It is denoted as `wdi_gdpcappppcon2011` in the dataset, but I will be referring to it just as ‘GDP per capita.’ GDP has a close relationship with economic globalization, leading to high economic growth and convergence across world regions

(Leimbach et al. 2017). Thus, I control for any impact GDP per capita may have on economic globalization.

3. Methodology

Since my dependent variable, economic globalization, is continuous, I will be using an OLS regression model to test my hypothesis. I will accept my hypothesis if the central explanatory variable, legal origin, has a positive coefficient that is statistically significant. The legal origin we are testing is English common law, which has been coded as 1, and all other categories of legal origin have been rescored and given a value of 0. The regression equation which estimates the relationship between the independent variables and the dependent variables is as follows:

$$y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5$$

In this equation, x_1 is the value of legal origin, x_2 is the value of regime durability, x_3 is the measure of democracy status, x_4 is the total population value, and x_5 is the value of GDP per capita.

Section V. Analysis of Results

After running my OLS regression model, I identified some significant correlations. The relationship between my central explanatory variable, English common law, and my dependent variable resulted in a coefficient of 1.762. This relationship is statistically significant at a 99% confidence level. These findings support the prediction in my hypothesis that an English common law legal origin has a positive relationship with economic globalization.

Table 1: Effects of Legal Origin on Globalization, 1946-2018		
Variable	Coefficient	Standard Error
Legal Origin	1.762***	(0.512)
Regime Durability	0.082***	(0.009)
Population	-2.06e-08***	(1.65e-09)
Democracy	4.037***	(0.488)
GDP Per Capita	0.001***	(0.000)
Constant	40.343***	(0.429)
N = 2,401		
R-Squared = 0.5204		
<i>Statistical Significance levels: *signifies $p \leq 0.05$, **signifies $p \leq 0.01$, ***signifies $p \leq 0.001$</i>		

The second correlation I found was between my first control variable, regime durability, and economic globalization. This correlation was also statistically significant at a 99% confidence level; however, the positive coefficient was only 0.082. This relationship can be interpreted as, for every consecutive year of continuous regime durability, there will be a 0.082 increase in the index of economic globalization for that country. While this relationship is positive and statistically significant, regime durability does not have a major impact on the level of economic globalization for a country.

The extent to which population size impacted economic globalization took me by surprise. It had a coefficient of -2.06e-08 at a 99% confidence level. As predicted by La Croix et al. (2002), population size had adverse effects on globalization. This means that significant increases in population size have a negative impact on the index of economic globalization. This connection may be more complex than what is presented in this simple regression model because the value of standard error is also quite small. It is possible that population and globalization both influence each other in significant ways, a topic which is further explored by La Croix et al. 2002 but may be researched to a much further extent.

The next control variable in the regression was regime type (democracy). This correlation was positive, with a coefficient of 4.07 and is statistically significant with a confidence level of

99%. Such a large coefficient suggests that the positive impact being a democracy has on a country's level of economic globalization is very strong. The field of international relations has no shortage of research articles and books that examine the relationship between democracy and globalization. Because the liberal international economic order was formed by countries with democratic governments, it is unsurprising that democratic countries participate the most in the global economy and experience higher levels of economic globalization because of this.

My final control variable was gross domestic product converted to constant 2011 international dollar values using purchasing parity power rates. Its relationship with economic globalization was also seemingly minuscule, with a positive coefficient of only 0.001. It was a statistically significant relationship with a confidence level of 99%. This result makes me question if a measurement of just GDP per capita without calculations of purchasing parity power would have had a greater impact on economic globalization. This result does not indicate that the correlation proposed by Leimbach et al. (2017) is very strong.

An additional note for this section is that the R-Squared value of the model was 0.5204. This means that 52.04% of the contributory factors which contribute to economic globalization are attributed to the four independent variables I tested. This also indicates that there are several other factors that contribute to the economic globalization index.

Section VI. Discussion of Findings and Conclusion

The results I found from running the OLS regression model found evidence that supported by hypothesis. With a positive and statistically significant coefficient, I can conclude that countries with English common law legal origin have higher levels of economic globalization compared to countries with other legal origins. These findings may align with my

theory that common law legal systems are more dynamic than other legal origins like commercial law or communist and socialist systems (Beck et al. 2002). Common law origin countries may have responded more efficiently to the massive globalization waves of the post-World War II period by creating superior institutions to capitalize on that advantage.

As reflected by my R-Squared value, there are far more contributing factors of economic globalization that went unaccounted for in my regression model. Additionally, the control variable of the total population that I used may be difficult to draw decisive conclusions from because there are arguments that support that population and globalization both influence each other. Another possible weakness in my regression was using the GDP per capita converted into constant 2011 international dollars using purchasing parity power. The coefficient it produced was very small and did not indicate a large influence on economic globalization. This could be due to the fact that it had the shortest time period of available data out of all the variables. Using a different measure of global capital levels may have yielded significantly different results. I was also unable to produce a breakdown of the relationship proposed by my hypothesis by country in detail. The nature of this study is very broad, and there is lots of room for further research to examine the relationship between legal origin and economic globalization in greater detail. For example, the central explanatory variable was rescored to only focus on English common law and grouped together with the remaining four legal origins. My research design was created with the theory in mind that the common law origin favors the creation of institutions that are more likely to promote more efficient participation in the global political economy. Future research may find a way to empirically prove or disprove this theory that common law has the greatest positive relationship with economic globalization.

The purpose of this paper was to explore whether the common legal origins of a country could positively impact something as broad as economic globalization today, despite centuries of development and changes being made to modern legal systems. This paper provided evidence that the structural components of a country; in this case, its legal system, may still influence the institutions it operates through. Researchers have provided evidence for connections regarding legal origin that similar to this one before, and this paper builds upon that work to try to make a connection to economic globalization. The evidence obtained from my regression model may not influence future policy decisions of state officials but can possibly explain the decision-making process of states at the institutional level. This research is both supported and undermined by theories produced by other researchers and is speculative in nature, so the evidence provided here may require further investigation.

Future research regarding legal origins and economic globalization may want to make a comparison between countries that voluntarily adopted their legal system from another country and those countries in which the legal origin was involuntarily implanted. A more detailed study that looks at individual countries may find that the same legal origin in one country does not have as much of an impact on economic globalization as it does in another. This type of study could also provide better insight into how economic globalization is impacted by legal origin in developing countries versus developed ones.

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Appendix:

Stata Output for Table 1:

```
. reg dr_eg lp_legor p_durable wdi_pop wdi_gdpcappppcon2011 chga_demo
```

Source	SS	df	MS	Number of obs	=	2,401
Model	344112.082	5	68822.4164	F(5, 2395)	=	519.81
Residual	317097.419	2,395	132.399757	Prob > F	=	0.0000
				R-squared	=	0.5204
				Adj R-squared	=	0.5194
Total	661209.501	2,400	275.503959	Root MSE	=	11.507

dr_eg	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lp_legor	1.762396	.5116532	3.44	0.001	.7590668	2.765725
p_durable	.0822719	.0090202	9.12	0.000	.0645837	.0999601
wdi_pop	-2.06e-08	1.65e-09	-12.45	0.000	-2.38e-08	-1.73e-08
wdi_gdpcappppcon2011	.0005037	.0000151	33.44	0.000	.0004741	.0005332
chga_demo	4.036607	.4882297	8.27	0.000	3.079211	4.994004
_cons	40.34339	.4285923	94.13	0.000	39.50294	41.18384

Table 2: Summary Statistics

Variable	Observation	Mean	Std. Deviation	Min	Max
Economic Globalization	2,401	51.72735	16.59831	15.25539	93.58852
Legal Origin	2,401	.3290296	.4699586	0	1
Regime Durability	2,401	26.10537	32.10033	0	199
Population	2,401	4.29e+07	1.46e+08	311840	1.32e+09
GDP Per Capita	2,401	14484.31	18534.85	247.4365	119723.1
Democracy	2,401	.5556018	.4970023	0	1

Stata Output for Table 2:

```
. sum dr_eg lp_legor p_durable wdi_pop wdi_gdpcppppcon2011 chga_demo if e(sample)
```

Variable	Obs	Mean	Std. Dev.	Min	Max
dr_eg	2,401	51.72735	16.59831	15.25539	93.58852
lp_legor	2,401	.3290296	.4699586	0	1
p_durable	2,401	26.10537	32.10033	0	199
wdi_pop	2,401	4.29e+07	1.46e+08	311840	1.32e+09
wdi_gdp~2011	2,401	14484.31	18534.85	247.4365	119723.1
chga_demo	2,401	.5556018	.4970023	0	1

Operationalization of Variables

Dependent Variables

Variable	Operationalization	Source
Economic Globalization (dr_eg)	Scale of 1 to 100	ETH Zurich, KOF Swiss Economic Institute. Dreher, Axel (2006). (Gygli et al. 2019)

Central Explanatory Variable

Variable	Operationalization	Source
Legal Origin (lp_legor)	<ol style="list-style-type: none"> 1. English Common Law 2. French Commercial Code 3. Socialist/Communist Laws 4. German Commercial Code 5. Scandinavian Commercial Code 	La Porta et al., 1999

Control Variables

Variable	Operationalization	Source
Regime Durability (p_durable)	“Year Zero” (value = 0), subsequent values for each year since last regime change	Marshall and Jaggers 2018
Regime Type (chga_demo)	0 = No Democracy 1 = Democracy	Cheibub et al., 2010
Total Population (wdi_pop)	De facto total population	World Bank, 2016
GDP Per Capita, Purchasing Power Parity, constant 2011 dollar (wdi_gdpcppppcon2011)	GDP per capita converted into international dollars using purchasing power parity rates	World Bank, 2016